

STATE OF SOUTH CAROLINA

(Caption of Case)
In the Matter of:

Application of Duke Energy Carolinas,
LLC for Approval of Energy Efficiency
Plan Including an Energy Efficiency Rider
and Portfolio of Energy Efficiency Programs

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2007 - 358 - E

(Please type or print)

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DOCKETING INFORMATION (Check all that apply)

- ☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously
- ☐ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2007-358-E

In the Matter of:)	SURREBUTTAL TESTIMONY OF
)	JAMES B. ATKINS ON BEHALF OF
Application of Duke Energy)	ENVIRONMENTAL DEFENSE, THE
Carolinas, LLC for Approval of)	SOUTH CAROLINA COASTAL
Energy Efficiency Plan Including an)	CONSERVATION LEAGUE,
Energy Efficiency Rider and Portfolio)	SOUTHERN ALLIANCE FOR CLEAN
of Energy Efficiency Programs)	ENERGY AND THE SOUTHERN
)	ENVIRONMENTAL LAW CENTER
)	

1 **Q. PLEASE STATE YOUR NAME, ADDRESS AND AFFILIATION.**

2 A. My name is James B. Atkins, and I reside at 157 Preserve Lane,
3 Columbia, South Carolina. I am the President of Regulatory Heuristics, LLC, a
4 single-member consulting firm specializing in energy and environmental policy
5 issues.

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

7 A. Yes, I provided direct testimony on behalf of Environmental Defense
8 (“ED”), the South Carolina Coastal Conservation League (“CCL”), the Southern
9 Environmental Law Center (“SELC”), and Southern Alliance for Clean Energy
10 (“SACE”).

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12 A. The purpose of my surrebuttal testimony is (1) to respond to the rebuttal
13 testimony of Duke Energy Carolinas, LLC (“Duke”) Witness Farmer regarding
14 corrections put forward about my direct testimony on the cost of capital and (2)
15 to correct and clarify various statements made by Duke Witnesses Cicchetti and
16 Hager in their rebuttal testimony regarding Duke’s past demand-side
17 management (“DSM”) activities and proposed EE Rider (SC).

18 **Q. WHAT IS YOUR RESPONSE TO DUKE WITNESS FARMER’S**
19 **CORRECTION OF YOUR COMPARISON OF VARIOUS COSTS OF**
20 **CAPITAL?**

21 A. First, I want to thank Mr. Farmer for his correction to my direct testimony.
22 Second, it is my opinion that this confusion could have been avoided entirely had

1 Mr. Farmer specifically, and Duke more generally, provided these data in either
2 Duke's Application to the South Carolina Public Service Commission ("the
3 Commission") or in Mr. Farmer's direct testimony. Prior to Mr. Farmer's
4 rebuttal testimony, the only cost of capital information available to the public,
5 ratepayers, the Office of Regulatory Staff and most importantly, the
6 Commission, was the figure of 13.68 percent pre-tax weighted cost of capital
7 provided by Duke in response to Wal-Mart Data Request 1-6.

8 **Q. WHAT DID MR. FARMER'S REBUTTAL TESTIMONY REVEAL**
9 **ABOUT THE COST OF CAPITAL USED IN THIS DOCKET COMPARED**
10 **TO OTHER DUKE AND SOUTH CAROLINA ELECTRIC AND GAS**
11 **("SCE&G") RATE CASES?**

12 A. Mr. Farmer's testimony finally enables a direct "apples-to-apples"
13 comparison of the after-tax weighted cost of capital in Duke's 1991 Rate Case
14 (Docket No. 91-216-E, Order No. 91-1022), Duke's 2007 Avoided Cost Filing
15 (Docket No. 1995-1192-E, Order 2007-591), and SCE&G's 2005 Rate Case
16 (Docket No. 2004-178-1-216-E, Order No. 2005-2). Mr. Farmer converted the
17 pre-tax weighted cost of capital (13.68 percent) from Order No. 2007-591 used in
18 the EE Rider (SC) computations to an after-tax weighted cost of capital of 9.63
19 percent which can be directly compared to the Commission's prior Orders.
20 Farmer Rebuttal Testimony, Exhibit 1.

21 Using Mr. Farmer's calculations and the Commission's prior Orders, I
22 prepared Atkins Surrebuttal Exhibit 1. As shown in Atkins Surrebuttal Exhibit 1,

1 Duke's return on equity approved in Duke's 1991 rate case (Order No. 91-1022)
2 was 12.25 percent, increased to 12.50 percent in Duke's 2007 Avoided Cost
3 Filing (Order No. 2007-591). In comparison, the approved return on equity is 10.7
4 percent for SCE&G in its 2005 rate case (Order No. 2005-2). Therefore, Duke's
5 return on equity is 180 basis points higher in its 2007 Avoided Cost Order
6 compared to SCE&G's 2005 Rate Order.

7 Concerning the overall rate of return (after-tax weighted cost of capital),
8 Atkins Surrebuttal Exhibit 1 shows Duke's overall rate of return approved in
9 Duke's 1991 rate case (Order No. 91-1022) was 10.35 percent, decreased to 9.63
10 percent in Duke's 2007 avoided cost case (Order No. 2007-591). In comparison,
11 the approved return on equity is 8.64 percent in SCE&G's 2005 rate case (Order
12 No. 2005-2). Therefore, Duke's overall rate of return approved by the
13 Commission is 99 basis points higher in its 2007 Avoided Cost Order compared
14 to SCE&G's 2005 Rate Order.

15 **Q. DO YOU HAVE ANY FURTHER SURREBUTTAL TESTIMONY**
16 **CONCERNING MR. FARMER'S STATEMENTS ABOUT THE COST OF**
17 **CAPITAL USED IN THIS DOCKET COMPARED TO OTHER DUKE**
18 **AND SCE&G RATE CASES?**

19 A. I do. Mr. Farmer's states that if I "had performed a proper comparison, [I]
20 would have realized that the differential in the two rates was a fraction of the
21 difference pointed out by Mr. Atkins." Farmer Rebuttal Testimony at 6, lines 10-
22 12 (emphasis added). Referring again to Atkins Surrebuttal Exhibit 1, the

1 Commission can determine whether a return on equity 180 basis points higher in
2 2007 compared to 2005, and an after-tax overall rate of return 99 basis points
3 higher in 2007 compared to 2005 are significantly “different” or important to the
4 ratepayer.

5 The Commission has always sought to obtain the most accurate estimates
6 of costs of capital in order to be consistent with long-established regulatory
7 principles¹ and to properly balance ratepayer and company interests. It is my
8 personal experience as a former Commissioner, and one who is familiar with prior
9 Commission Orders, that disagreements over the cost of capital are typically on
10 the order of 25 basis points compared with the 180 and 99 basis point differences
11 discussed above.

12 Therefore, I disagree with Mr. Farmer and would conclude that these
13 differences are important, and that Duke’s return on equity and after-tax overall
14 weighted cost of capital used in this docket are inflated above the Commission-
15 reviewed SCE&G 2005 rate case.

16 **Q. WHAT ARE YOUR THOUGHTS CONCERNING MR. FARMER’S**
17 **REBUTTAL TESTIMONY REQUESTING THE COMMISSION TO**
18 **REJECT YOUR RECOMMENDATION TO DENY DUKE’S**
19 **APPLICATION?**

¹ These standards are set forth in Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 591, 602-03 (1944) and Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679, 692-73 (1923).

1 A. Based on his correction to my direct testimony, Mr. Farmer recommends
2 that the Commission reject my recommendation that Duke's save-a-watt proposal
3 be denied. Farmer Rebuttal Testimony at 6, lines 19-22. I strongly disagree with
4 his conclusion, especially in light of the "apples-to apples" comparison of costs of
5 capital provided in Atkins Surrebuttal Exhibit 1. It is my opinion that Mr.
6 Farmer's rebuttal testimony and accounting calculations actually support my
7 recommendation that Duke's cost of capital is inflated, and that Duke's
8 Application should be denied.

9 **Q. DO YOU HAVE ANY FINAL COMMENTS CONCERNING MR.**
10 **FARMER'S REBUTTAL TESTIMONY?**

11 A. Yes, I do. As stated earlier in my surrebuttal testimony, confusion over the
12 exact cost of capital used in this Docket could have been avoided entirely had Mr.
13 Farmer specifically, and Duke more generally, provided cost of capital data in
14 either their Application to the Commission or in Mr. Farmer's direct testimony.
15 The cost of capital used in this Docket originates from Duke's 2007 Avoided Cost
16 Filing (Docket No. 1995-1192-E, Order No. 2007-591). Mr. Farmer states that I
17 was incorrect when I stated that these were 1995 vintage rates. Farmer Rebuttal
18 Testimony at 4, 9.

19 In my opinion, Mr. Farmer's statement reveals a fatal defect with Duke's
20 Application. Although Mr. Farmer is correct that these are not 1995 vintage rates,
21 the Commission has not received public input on, or reviewed, these rates in a
22 public setting since 1995. As stated in Order No. 2007-591, "[t]his revised tariff

1 is put into place without notice or hearing, pursuant to S.C. Code Ann. § 58-27-
2 870(F), since it will not result in a rate increase to the electric utility.” (emphasis
3 added).

4 On Friday, January 25, 2008, I inspected the Docket No. 1995-1192-E
5 files at the Commission and found no information relating to any computation of
6 the cost of capital or any reference to a cost of capital value(s) in the files
7 supporting Order No. 2007-591. Since no rate increase was involved, there is no
8 defect with Order No. 2007-591. Pursuant to S.C. Code Ann. § 58-27-870(F),
9 however, it appears that use of cost of capital values derived from Revised
10 Schedule PP (SC) for the purposes of increasing rates would trigger a requirement
11 to hold a public hearing on the use of these values.

12 If this application is approved, the lack of a “proper and public” review of
13 Duke’s cost of capital would set an unfortunate precedent for the Commission. I
14 cannot recall any recent circumstance where the Commission has increased rates
15 of a jurisdictional utility without a full examination of the utilities’ cost of capital.
16 Nor can I recall an instance during my tenure on the Commission where a full
17 review of a utility’s cost of capital did not result in a lowering of costs compared
18 to the utilities application.

19 **Q. TURNING NOW TO THE REBUTTAL TESTIMONY OF DUKE**
20 **WITNESS HAGER, DO YOU AGREE WITH MS. HAGER’S**
21 **CHARACTERIZATION OF YOUR TESTIMONY CONCERNING DSM**
22 **AND CONSERVATION INCENTIVES?**

1 A. No, I do not. Ms. Hager's characterization of my testimony states that I
2 "appear[] to assume that the same incentives that were used 15 years ago are all
3 that is needed now and no other mechanism is appropriate." Hager Rebuttal
4 Testimony at 10, lines 1-5. This characterization of my testimony is inaccurate
5 and misleading.

6 I do not exclude the possibility that another "mechanism" may be
7 appropriate. Testimony offered by the other witnesses on behalf of ED, CCL,
8 SACE and SELC cites numerous examples of proven cost-effective energy
9 efficiency approaches and cost recovery mechanisms that would result in higher
10 levels of success than those proposed by Duke. However, these have not been
11 proposed in Duke's Application. I strongly disagree with the use of Duke's
12 proposed revenue requirement mechanism contained in its Application. For the
13 reasons contained in this testimony, I believe it is not in the public interest and
14 will result in excessive recovery for Duke to the detriment of ratepayers.

15 It is my opinion that the Commission should have the opportunity to
16 examine Duke's proposed energy efficiency programs under the Commission-
17 approved cost recovery mechanism which remains in effect in Duke's General
18 Rate Order No. 91-1022. This recovery mechanism is generous, allowing Duke to
19 recover its DSM costs, to earn a rate of return on these investments, and to
20 recover lost revenue. In fact, Ms. Hager states that similar recovery mechanisms
21 utilizing unbundling approved by this Commission and the North Carolina
22 Utilities Commission for Piedmont Natural Gas Company Incorporated
23 ("Piedmont") provide for "protection against lost revenue associated with

1 conservation programs.” Hager Rebuttal Testimony at 7, lines 16-23. At the risk
2 of providing uneven and discriminatory incentives between utilities, a cost
3 recovery mechanism that protects Piedmont must also therefore protect Duke.

4 **Q. DO YOU AGREE WITH DUKE WITNESS HAGER THAT DUKE HAS**
5 **TAKEN ADVANTAGE OF THE CURRENT COST RECOVERY**
6 **MECHANISM APPROVED BY THE COMMISSION IN ORDER NO. 91-**
7 **1022?**

8 A. No, I do not. Ms. Hager states that Duke has taken advantage of the
9 Commission approved cost recovery mechanism since “awards were placed in the
10 DSM Deferral Account for future recovery.” Hager Rebuttal Testimony at 9, lines
11 8-9. Since Duke has not requested a new base rate case since 1991, Duke may
12 have deferred awards, but has not recovered any costs.

13 Perhaps if Duke had taken advantage of the Commission-approved cost
14 recovery mechanism, it would have been more actively engaged in DSM and
15 energy efficiency programs since 1991. If it had, ratepayers could have saved
16 energy as well as tens of millions of dollars in unneeded capital investments in
17 generation and transmission facilities.

18 **Q. TURNING NOW TO THE REBUTTAL TESTIMONY OF DUKE**
19 **WITNESS CICCHETTI, DO YOU AGREE WITH HIS CONCLUSIONS**
20 **THAT DUKE SHOULD NOT BE REQUIRED TO FILE A NEW**
21 **GENERAL RATE CASE WITH THE COMMISSION?**

22 A. I strongly disagree with his inference that rate cases are not in the public
23 interest. Dr. Cicchetti concludes that “most consumers in South Carolina would

1 consider it a good thing that there has been no base rate case since 1991” and that
2 a new rate case would “trigger upward cost of service revisions.” Cicchetti
3 Rebuttal Testimony at 20, lines 2-5. He also does not agree with my direct
4 testimony that the cost of capital or rate of return would be lower today compared
5 with 1991, and he further states that a new rate case “would probably cause
6 customer confusion and consternation.” Cicchetti Rebuttal Testimony at 20, lines
7 7-10.

8 Referring again to Atkins Surrebuttal Exhibit 1, it is clear that Duke’s
9 return on equity and after-tax rate of return are substantially higher than the rate
10 approved in SCE&G’s 2005 rate case.

11 Even more telling, on October 26, 2007, the North Carolina Utilities
12 Commission issued a post-hearing order in a general rate case for Duke (Docket
13 No. E-7, Sub 828) which approved a return on equity of 11 percent and an after-
14 tax rate of return of 8.57 percent. These costs of capital were based on current
15 data made public by Duke and reviewed by the North Carolina Utilities
16 Commission.

17 Referring again to Atkins Surrebuttal Exhibit 1, **Duke’s return on equity**
18 **and overall rate of return are 150 basis points and 106 basis points higher,**
19 **respectively, in Duke’s Avoided Cost Order compared to the recent North**
20 **Carolina Order.** Please refer to Atkins Surrebuttal Exhibit 2, a recent article
21 from the Charlotte Business Journal, indicating the North Carolina Utilities
22 Commission cut Duke’s revenues by \$56 million overall. Duke Energy Carolinas

1 President Ellen Ruff is quoted in the article stating “I think this order is good
2 news for our customers.”

3 **Q. DO YOU AGREE WITH DUKE WITNESS CICCHETTI’S REBUTTAL**
4 **TESTIMONY THAT A NEW GENERAL RATE CASE WOULD**
5 **POTENTIALLY PUNISH DUKE OR PUT IT AT FINANCIAL RISK?**

6 A. I strongly disagree with Dr. Cicchetti’s assertion that a rate case “would
7 potentially punish or at least put the Company at significant financial risk when
8 all new rate case matters are thrown into a new, full-blown base rate case
9 proceeding.” Cicchetti Rebuttal Testimony at 20, lines 12-14. Dr. Cicchetti’s
10 testimony does not accurately reflect the purpose of a rate case, which is to
11 balance the interests of the utility and the ratepayer, based on accurate and current
12 accounting and financial data.

13 For example, I do not believe that the North Carolina Utilities
14 Commission’s recent ruling on Duke’s rates (Docket No. E-7, Sub 828) punished
15 Duke in any way, nor has it placed Duke at any significant financial risk. It
16 merely aligned Duke’s earnings with their current costs of capital, costs and
17 changes to their rate base. The above quote from Duke Energy Carolinas
18 President Ellen Ruff seems consistent with my views.

19 If the South Carolina Commission chooses to initiate or accept a general
20 rate case for Duke, of course its approach should be similarly fair and
21 broadminded as the rate case in North Carolina appeared to proceed. It is my
22 opinion that a general rate base case would not represent a punishment for Duke.

1 Furthermore, I agree that a general rate case is not a necessary
2 precondition for Duke to submit a fair and appropriate proposal to achieve energy
3 efficiency. However, it is clear that South Carolina requires that any such
4 proposal submitted by Duke to the Commission must be based on current cost of
5 capital, include accurate estimates of cost-effectiveness which use the same data
6 to calculate cost recovery, and provide an open public process that provides the
7 public, ratepayers, interested parties, the Office of Regulatory Staff, and the
8 Commission an opportunity to fully review Duke's financial and technical
9 assumptions.

10 **Q. DOES THAT COMPLETE YOUR SURREBUTTAL TESTIMONY?**

11 **A. Yes, it does.**

Comparison of Return on Equity and Pre Tax Overall Rate of Return (After-Tax Weighted Cost of Capital) for Duke's 1991 SC Rate Order, Duke's 2007 Avoided Cost SC Order, SCE&G 2005 Rate Order and Duke's 2007 Rate NC Post Hearing Order

Company & Order No.	Return on Equity (%)	Overall Rate of Return (%) = After Tax Weighted Cost of Capital
SC Duke General Rate Case (Order No. 91-1022)	12.25	10.35
SC Duke Avoided Cost Filing (Order No. 2007-591)	12.5	9.63
SCE&G General Rate Case (Order No. 2005-2)	10.7	8.64
NC Duke 2007 General Rate Case (Docket No. E-7, Sub 828)	11.0	8.57



Friday, November 30, 2007

Commission orders deeper Duke rate cuts

Charlotte Business Journal - by [John Downey](#) Senior Staff Writer

N.C. regulators have ordered a larger cut in Duke Energy Carolinas' customer rates than the utility proposed. But they also have agreed to a one-time payment of \$80.5 million to Duke shareholders.

The impact will be largest on industrial customers. Those businesses will see their rates drop about 15.6 percent by 2009.

Customers will save less than had been projected for 2008 in order to make the one-time payment to shareholders. But starting in 2009, rates will be cut more sharply than the utility had initially asked.

Duke officials and consumer advocates are still determining the full impact of the order, filed Thursday evening by the N.C. Utilities Commission.

But Duke Energy Carolinas President Ellen Ruff expects the company will accept the order.

"We haven't seen the full order yet, but based on what I'm looking at today, I think it is good for our customers and fair to our company," she says.

She is pleased the commission accepted the basic compromise Duke had worked out with customer and industry groups. That agreement, announced in September, called for steep cuts for Duke customers. The order will increase the savings for customers by 2009, but the commission left the primary agreement intact.

Bob Gruber, director of the commission's public staff, welcomes the order. "Overall, ratepayers will see more of a savings on their utility bills," he says.

Duke, the public staff and others involved in the issue agreed this fall to a \$233 million reduction in Duke's revenue from its N.C. rates. That is all Duke proposed cutting. But disputes remained over how to account for savings from the company's 2006 purchase of Cinergy Corp. and some other expenses claimed by Duke.

If the commission had stuck with Duke's plan, an average residential customer would have saved about \$3.20 on an average monthly bill. Under the new order, Gruber's office estimates

customers will save an average of \$2.83 per month next year, then \$3.94 per month starting in 2009.

Gruber says this is how the rate cuts will now work:

- Residential customers will see a 3.41 percent reduction in 2008 and a 4.74 percent cut starting in 2009. Duke had proposed a 3.85 percent cut.
- Commercial customers will see a cut of 4.16 to 6.05 percent in 2008 and a reduction of 6.22 to 9.04 percent starting in 2009. That compares with cuts of 5.05 percent to 7.34 percent proposed by Duke.
- Industrial customers will see a cut of 11.25 percent next year and 15.64 percent starting in 2009. Duke had proposed a 12.7 percent cut.

Industrial and commercial power consumption varies more greatly from site to site than residential use, so Duke does not calculate average bills for those customers. But the utility had said its largest industrial customers could save as much as \$1.5 million per year under its proposal. Under Thursday's order, those savings could reach nearly \$1.85 million by 2009.

Thursday's filing was an abbreviated notice of a coming order. The full ruling will follow soon, but the commission has not set a timetable. The abbreviated order was issued to allow Duke to prepare its rates for the coming year.

The commission's order cuts Duke's revenue from rates by \$56 million overall.

The largest part of that reduction came over one issue. The commission disallowed Duke's proposal to deduct about \$39.9 million from the base revenue used to calculate its rates. Duke contended the money was a one-time savings from the Cinergy deal that should not be part of the rate calculation.

The public staff objected. It noted Duke gave N.C. customers a one-time rate cut in 2006 that saved them \$117.5 million as the customer share of the Cinergy merger savings.

The staff contended taking the \$39.9 million out of the calculation would essentially take that money back from ratepayers over the next several years.

The commission order accepts most of the staff's argument. But the commission says preventing Duke from regaining any of the merger savings could leave shareholders with no benefit from the deal. Duke had argued taking the Cinergy savings out of the equation would eventually cost shareholders \$157.8 million.

So the commission devised a formula to give shareholders a one-time payment, just as Duke had given customers a one-time savings.

The commission calculated three years' worth of expected savings from the Cinergy deal and allocated 58 percent to shareholders. That calculation underlies the \$80.5 million to be paid shareholders next year.

Ruff says the cuts, while marginally different from what Duke proposed, still embody some of the company's chief goals in setting new rates.

Duke has been seeking to reduce the disparity between the higher rates its charges its industrial customers in North Carolina compared with those in South Carolina. The order helps Duke move down that path, she says.

And it aids the company in balancing its rates among residential, industrial and commercial customers.

"I feel like Duke Energy is only successful when our customers are successful," Ruff says. "I think this order is good news for our customers."

Duke Energy Carolinas is the regional utility operation of Charlotte-based [Duke Energy Corp.](#) (NYSE:DUK).

Contact utilities reporter John Downey at (704) 973-1130 or jdowney@bizjournals.com.

CERTIFICATE OF SERVICE

I hereby certify that the following persons have been served with the Southern Environmental Law Center (SELCE), Southern Alliance for Clean Energy (SACE), the South Carolina Coastal Conservation League (CCL), and Environmental Defense (ED) surrebuttal testimony of James B. Atkins:

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This 28th day of January, 2008.

S/Kate Double
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